

AMENDED IN ASSEMBLY MAY 17, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1388

Introduced by Assembly Member Aanestad

February 26, 1999

An act to add Section 10736 to the Insurance Code, relating to small employer health coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1388, as amended, Aanestad. Small employer health coverage: medical savings accounts.

Existing law imposes various requirements on health care service plans and insurers with respect to small employer health coverage and creates a purchasing pool program for small employers known as the Health Insurance Plan of California, which is administered by the Managed Risk Medical Insurance Board. Existing law provides for the board to solicit nonprofit entities to submit bids to assume administrative and fiscal responsibility on a regional basis for operation of the Health Insurance Plan of California, and to relinquish that responsibility to a qualified entity or entities upon determination that a qualified entity or entities exists.

This bill would require the board, or if applicable, its successor entity or entities, on or before March 1, 2000, to enter into one or more contracts with carriers to provide small employer health coverage under the Health Insurance Plan of California through medical savings accounts in connection with high deductible health plan or insurance coverage.

Coverage would be restricted to employers that have not provided health coverage to their employees within the preceding 2 years.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known and may be cited
2 as the Small Business Access to Medical Savings Accounts
3 Act.

4 SEC. 2. The Legislature finds and declares all of the
5 following:

6 (a) On September 28, 1992, Governor Wilson signed
7 into law AB 1672 (Chapter 1128, Statutes of 1992), which
8 created the Health Insurance Plan of California (HIPC),
9 one of the nation's first statewide purchasing pools for
10 employees of small businesses. After five years of
11 operation, HIPC assists in providing health insurance to
12 approximately 138,000 individuals in California.

13 (b) On August 21, 1996, President Clinton signed into
14 law H.R. 3103 (P.L. 104-191), the "Health Insurance
15 Portability and Accountability Act of 1996," which
16 provides employees of small businesses, self-employed
17 persons, and the uninsured with an opportunity to
18 purchase a medical savings account in conjunction with
19 a high-deductible health plan or health insurance policy.

20 (c) On September 26, 1996, Governor Wilson signed
21 into law SB 38 (Chapter 954, Statutes of 1996), which
22 authorized deductions for medical savings accounts for
23 California income tax purposes.

24 (d) On August 5, 1997, President Clinton signed into
25 law H.R. 2015 (P.L. 105-33), which extends the availability
26 of medical savings accounts to seniors in the Medicare
27 program.

28 SEC. 3. The Legislature further finds and declares all
29 of the following:

30 (a) Both the Assembly Democratic and Republican
31 agendas for health care reform in 1998 recognized the
32 need to provide additional health care options to the

1 more than 8 in 10 uninsured Californians who are in
2 families with one or more working adults.

3 (b) The Health Insurance Plan of California (HIPC)
4 was created several years before the Congress and
5 President authorized the creation of medical savings
6 accounts. It is now time for the Managed Risk Medical
7 Insurance Board (MRMIB) or any nonprofit entity
8 selected to administer HIPC in the future to give
9 hardworking Californians the opportunity to obtain
10 health security through the purchase of a tax-deductible,
11 interest bearing medical savings account in conjunction
12 with a high-deductible health plan or health insurance
13 policy.

14 (c) The offering of one or more medical savings
15 accounts through the HIPC would create healthy
16 competition between health care service plans, preferred
17 provider organizations, and insurers offering medical
18 savings account plans. Employees of small businesses
19 would benefit from the inclusion of medical savings
20 account plans in the HIPC as health care service plans
21 and insurers compete to provide consumers a higher level
22 of quality care at the lowest possible price.

23 (d) The offering of one or more medical savings
24 accounts through the HIPC would likely increase the
25 total number of people participating in HIPC and would
26 help reduce the number of uninsured workers and
27 families in California.

28 SEC. 4. Section 10736 is added to the Insurance Code,
29 to read:

30 10736. On or before March 1, 2000, the board, or if
31 applicable, the successor entity or entities to the board
32 that may be selected to assume administrative and
33 financial responsibility for the program pursuant to
34 Section 10748.6, shall enter into one or more contracts
35 with carriers to provide coverage under the program
36 through medical savings accounts in connection with
37 high deductible health plan or insurance coverage,
38 consistent with the requirements of the federal Health
39 Insurance Portability and Accountability Act of 1996
40 (P.L. 104-191). *Coverage pursuant to this section shall be*

1 *restricted to employers that have not provided health*
2 *coverage to their employees within the two years*
3 *preceding the effective date of coverage.*

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